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C O N F I D E N T I A L SECTION 01 OF 02 HANOI 001623

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STATE FOR EAP/MLS AND EB; USDOE FOR INTERNATIONAL AFFAIRS

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SUBJECT: FOREIGN MINISTRY SUMMONS AMBASSADOR TO DISCUSS
SINO-VIETNAM SOUTH CHINA SEA DISPUTE

REF: (A) HANOI 1401 (B) HANOI 1599

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Classified By: AMBASSADOR MICHAEL MICHALAK FOR REASONS 1.4 (B) AND (D)

11. (C) SUMMARY: Vietnam's Vice Minister for Foreign Affairs, Vu Dzong, called in the Ambassador on September 10 to discuss the ongoing Sino-Vietnamese territorial dispute in the South China Sea. The Vice Foreign Minister urged the Ambassador to press Chevron to resume operations in Block 122; speculated on the motives behind China's recent tactics in the region; cited the UN Convention on the Law of the Sea as evidence of Vietnam's claims; and said the USG has an "important role" to play in the South China Sea. The Ambassador noted that the USG takes no position on overlapping claims and urged bilateral Sino-Vietnamese engagement to address the issue.
END SUMMARY.

12. (C) Vice Minister for Foreign Affairs Vu Dzong called in the Ambassador on September 10 to discuss the ongoing Sino-Vietnamese territorial dispute in the South China Sea. Dzong began the meeting by personally welcoming the Ambassador to Vietnam and observing that both men had attended the Kennedy School and served in official capacity representing their respective governments in Japan. He then turned almost immediately to the regional territorial dispute by noting that China has now forced three U.S. energy companies, Chevron, ExxonMobil and ConocoPhillips, to suspend their production sharing agreements with PetroVietnam in the South China Sea. Following up on an August 6 demarche delivered to the DCM (Ref A), Dzong emphasized the illegitimacy of China's claims in what Vietnam terms the "East Sea" and urged the Ambassador to press Chevron to resume work in Block 122 off the central coast of Vietnam, where the U.S. energy company has suspended its contract with PetroVietnam due to Chinese objections (Ref B). Dzong said the suspension of work by Chevron and ConocoPhillips in the face of Chinese demands "sends the wrong message." The Vice Foreign Minister said the GVN is increasingly concerned that China's aggressive tactics in the South China Sea will lead to "instability" in the region.

13. (C) Lamenting interference by "our Chinese friends," the Vice Foreign Minister listed a number of projects opposed by China, including Blocks 5-2 and 5-3 (British Petroleum and ConocoPhillips); Block 122 (Chevron); and Blocks 5-1b and 5-1c (a Japanese oil consortium headed by Nippon Energy). Dzong also recounted the GVN's previous demand to Transocean, the U.S. ocean drilling company, to terminate its production sharing agreement with PetroChina in Block 141 in an area claimed by Vietnam west of the disputed Paracel Islands (Ref B).

14. (C) As he did on August 6, the Vice Foreign Minister cited the 1982 UN Convention on the Law of the Sea as evidence of Vietnam's South China Sea claims, calling the case "rather clear." Dzung said the UN Convention, to which Vietnam and China are both signatories, validates his government's claims in disputed areas on Vietnam's continental shelf. He emphasized that Vietnam views its claims in the South China Sea as "beyond dispute" given the proximity of the areas to Vietnam's coast when compared to their distance from China, and he noted that Chevron's Block 122 lies just seventeen nautical miles from the Vietnamese coastline. Dzung also repeated his belief that the USG has an "important role" to play in the region, saying "stability in the South China Sea is in the interest of everyone."

15. (C) In response to the Ambassador's query regarding China's motives, the Vice Foreign Minister speculated that a rising China may now view itself as strong enough to take action against what it sees as territorial interlopers. He further posed that China may see the increased presence of American, British, and Japanese energy firms in the South China Sea as a gathering threat to unimpeded Chinese maritime navigation. Finally, he said that China's actions might be the result of an ongoing debate among China's senior leadership on the eve of the upcoming Communist Party Congress. The Vice Foreign Minister also recounted to the Ambassador details of three days of meetings held with his Chinese counterpart, Vice Foreign Minister Wu Dawei, in early August to discuss the South China Sea issue (Ref A).

16. (C) The Ambassador promised to report the demarche but noted that the USG takes no position on overlapping claims. He urged Sino-Vietnamese bilateral engagement to resolve the territorial dispute in a peaceful manner, without the use of force, and without disrupting normal maritime traffic in the South China Sea.

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17. (C) COMMENT: It now appears that the GVN is engaged with China on the South China Sea dispute given the substantive discussion between Vice Foreign Minister Dzung and his Chinese counterpart in Beijing last month. END COMMENT.
MICHALAK